

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. P-148
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**ORDER ESTABLISHING PROCEDURAL SCHEDULE AND PROPOSING TO TAKE
OFFICIAL NOTICE AND NOTICE OF HEARING**

(Issued March 19, 2002)

On July 19, 2001, MidAmerican Energy Company (MidAmerican) filed a petition and exhibits for renewal of natural gas pipeline permit number R876, issued to Iowa-Illinois Gas and Electric Company, predecessor to MidAmerican, on July 20, 1976. The renewal petition is for approximately 16.05 miles of 10-inch diameter steel pipeline for the transportation of natural gas in Scott County, Iowa. The pipeline begins at a point of the outlet of an existing MidAmerican pipeline near the intersection of Chapel Hill Road and Utah Ave. and proceeds in a generally northerly then easterly direction through Davenport and Bettendorf, then generally southeasterly to MidAmerican's Riverside facilities within the city limits of Bettendorf, Iowa.

On March 15, 2002, the Utilities Board (Board) assigned this proceeding to a presiding officer and directed that a procedural schedule be established and a date set for hearing.

The Board's Authority and Jurisdiction

The Board has authority to grant permits for pipelines in whole or in part upon terms, conditions, and restrictions as to safety requirements, and as to location and route, as it determines to be just and proper. Iowa Code §§ 479.12 and 479.18 (2001).

To obtain a permit, the petitioner must show that the services it proposes to render will promote the public convenience and necessity. Iowa Code § 479.12 (2001). The petitioner must also satisfy the financial requirements of Iowa Code § 479.26 (2001).

The Issues

Pursuant to Iowa Code §§ 479.7 and 479.8 (2001) and 199 IAC 10.6, this matter will be set for a public hearing for the presentation of oral and documentary evidence and the cross-examination of witnesses concerning the public convenience and necessity issue, any safety issues, any pipeline location and route issues, the financial issues, and issues raised by objectors or any other party. The conduct of this case will be governed by Iowa Code Chapters 17A and 479 (2001), and by Board rules at 199 IAC chapters 9 and 10.

Prepared Testimony and Exhibits

All parties will be given the opportunity to present and respond to evidence and argument on all issues, and to be represented by counsel at their own expense. Iowa Code § 17A.12(4) (2001). The proposed decision and order that the

administrative law judge will issue in this case must be based on evidence contained in the record and on matters officially noticed in the record. Iowa Code §17A.12(8) (2001). Unless contrary arrangements are made on the record at the hearing, all evidence will be received at the hearing, and the record will be closed to any further evidence at the conclusion of the hearing.

The submission of prepared evidence prior to hearing will help to identify disputed issues of fact to be addressed at the hearing. Prepared testimony contains all statements that a witness intends to give under oath at the hearing, set forth in question and answer form. When a witness who has submitted prepared testimony takes the stand, the witness does not ordinarily repeat the written testimony or give a substantial amount of new testimony. Instead, the witness is cross-examined by the other parties concerning the statements already made in writing. The use of prepared testimony prevents surprise at the hearing and helps each party to prepare adequately for the hearing, so that a full and true disclosure of the facts can be obtained. Iowa Code §§ 17A.14(1), 17A.14(3) and 479.11 (2001). This procedure also tends to diminish the length of the hearing, and spares the parties the expense and inconvenience of additional hearings.

MidAmerican must submit prepared testimony and exhibits prior to the hearing. At a minimum, MidAmerican's prepared testimony must address the issues listed above. In addition, with its prepared testimony, MidAmerican must file an amended petition Exhibit C as discussed by Mr. John A. Bloome in his January 7, 2002 memo attached to this order. MidAmerican must also file additional financial information that shows it has property **within Iowa, other than pipelines, subject to**

execution, of a value in excess of \$250,000. Iowa Code § 479.26 (2001).

Exhibit D attached to the petition does not contain sufficient information. It is unclear from the information submitted whether a minimum of \$250,000 of the company's property, other than pipelines, is in Iowa and subject to execution. MidAmerican may satisfy this requirement by filing an affidavit of a corporate officer. This financial information must be filed no later than with MidAmerican's prepared testimony.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate), and any objectors may also file prepared testimony and exhibits before the hearing in accordance with the procedural schedule.

Parties who choose not to file prepared testimony and exhibits before the hearing will not be precluded from participating in the proceedings. If an objector, for example, does not intend to present evidence going substantially beyond the information contained in the letter of objection, it is unnecessary for the objector to file prepared testimony. However, when a party has a substantial amount of information to present to the Board about the petition, if the information has not been previously disclosed to the Board, it should be presented in the form of prepared testimony and exhibits according to the procedural schedule established below.

Party Status

MidAmerican and the Consumer Advocate are currently the only parties to this proceeding. Iowa Code §§ 17A.2(8) and 475A.2 (2001). No one has filed an objection to the petition as of the date of this order.

Anyone who has filed or will file an objection pursuant to Iowa Code §§ 479.9 and 479.10 (2001) and 199 IAC 10.5 will also be presumed to be a party to this case.

However, no objector is entitled to party status merely because that person has written a letter. In order to qualify as a party, the objector must be able to demonstrate some right or interest that may be affected by the granting of the permit. Iowa Code § 479.9 (2001). An objector's status as a party may be challenged at the hearing, and an objector who cannot demonstrate a right or interest that may be affected by the granting of the permit will no longer be considered a party. Therefore, at minimum, objectors should be prepared to give evidence that will explain the nature of their specific rights or interests they believe should be protected, and will show how these rights or interests will be affected by the pipeline. As has already been noted, to the extent that the evidence goes substantially beyond information already communicated to the Board in an objection letter, it should be reduced to writing and filed as prepared testimony according to the procedural schedule established below.

Because objectors will be presumed to be parties up to the time of the hearing, an objector will receive copies of all documents that are filed in this docket after the letter of objection has been filed with the Board. This means that if a person files an objection after some or, all of the prepared testimony and exhibits have already been filed with the Board by other parties, the objector should make direct contact with the parties who have already filed prepared testimony and exhibits in order to obtain a copy of those materials. The official file of this case will be available for inspection at the Utilities Board Records Center, 350 Maple Street, Des Moines, Iowa. 199 IAC 1.9(1).

Objections must be filed not less than five days prior to the date of hearing. Late filed objections may be permitted if good cause is shown. 199 IAC 10.5. Objections must be made in writing and filed with the Executive Secretary of the Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

After an objector has filed a letter of objection, all further communications from the objector to the Board having to do with this case (including motions or prepared testimony and exhibits) should be sent to the Executive Secretary. A party (including objectors) must file an original and two copies of each communication with the Executive Secretary and the party must send one copy to each of the other parties to this case. 199 IAC 1.8. Along with the communication being sent, the party must file with the Board a certificate of service that conforms to 199 IAC 2.2(16), which verifies a copy of the document was served upon the other parties. These procedures are necessary to comply with Iowa Code § 17A.17 (2001), which provides in part:

Unless required for the disposition of ex parte matters specifically authorized by statute, parties or their representatives in a contested case and persons with a direct or indirect interest in such a case *shall not communicate, directly or indirectly, in connection with any issue of fact or law in that contested case, with a presiding officer in that contested case, except upon notice and opportunity for all parties to participate* as shall be provided for by agency rules.

Iowa Code §§ 17A.17(2) (2001)(emphasis added). Objectors and parties should examine 199 IAC Ch. 10 and 199 IAC 1.8 for other substantive and procedural rules that apply to this case.

Proposal to Take Official Notice

Mr. John A. Bloome, utility regulatory inspector for the Safety & Engineering Section, has prepared a memo dated January 7, 2002, concerning MidAmerican's petition pursuant to Iowa Code § 479.11 (2001). A copy of the memo is attached to this order. Pursuant to Iowa Code § 17A.14(4) (2001), the administrative law judge proposes to take official notice of the memo and of the facts contained therein, thus making them a part of the record of this case. Iowa Code § 17A.12(6)(c) (2001). Any party objecting to the taking of official notice of the memo must file such objection as soon as possible, and no later than five days prior to the hearing. The parties will have the opportunity to contest any information contained in the memo in prefiled testimony and at the hearing.

IT IS THEREFORE ORDERED:

1. Each person who files a letter of objection to MidAmerican's petition in this docket will be presumed to be a party in the proceeding unless it is established at hearing that the objector has no right or interest that may be affected by the pipeline.
2. Objections must be made in writing and filed with the Executive Secretary of the Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069, no later than five days before the hearing. Objectors must file an original and two copies of all subsequent communications to the Board with the Executive Secretary. The communications must be accompanied by a certificate of service.
3. The following procedural schedule is established:

- a. On or before April 9, 2002, MidAmerican must file prepared direct testimony relating to its petition for renewal;
- b. On or before April 30, 2002, the Consumer Advocate and any objector may file prepared responsive testimony; and
- c. A public hearing for the presentation of evidence and the cross-examination of witnesses concerning the issues identified in this notice of hearing will be held at 10 a.m. on Tuesday, May 14, 2002, in the Board Hearing Room, 350 Maple Street, Des Moines, Iowa. The hearing will be by telephone conference call unless any objections are filed, or unless any party files an objection to a telephonic hearing at least five days prior to the hearing. Parties and persons who wish to be connected to the hearing must dial (515) 323-1957 to reach the bridge line. Persons with disabilities who will require assistive services or devices to observe this hearing or participate in it should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

4. The administrative law judge proposes to take official notice of Mr. Bloome's memo dated January 7, 2002, and attached to this order, and of the facts contained therein. Any party objecting to the taking of official notice of the memo should file such objection as soon as possible, and must file such objection no later than five days prior to the hearing. Any party desiring to cross-examine Mr. Bloome concerning the statements contained therein must file a notice of intent to cross-examine no later than five days prior to the hearing.

5. Pursuant to Iowa Code §§ 17A.12(1) (2001) and 199 IAC 10.4, a copy of this order will be served by ordinary mail upon MidAmerican and the Consumer Advocate. No persons have filed objections to the petition as of the date of this order.

UTILITIES BOARD

/s/ Amy L. Christensen

Amy L. Christensen

Administrative Law Judge

ATTEST:

/s/ Sharon Mayer

Executive Secretary, Assistant to

Dated at Des Moines, Iowa, this 19th day of March, 2002.

TO: The File DATE: January 7, 2002

FROM: John A. Bloome File: P-148

SUBJECT: Petition for Renewal of Pipeline Permit for an Existing MidAmerican Energy Pipeline in Scott County – Linwood-Iowana Lateral

On July 18, 2001, MidAmerican filed a petition for renewal of pipeline permit for this same 16.05 miles of 10-inch diameter, 0.219" wall steel existing natural gas pipeline in Scott County. The pipeline continues to have an MOP of 425 psi. The pipeline begins at a point of the outlet of an existing MidAmerican pipeline near the intersection of Chapel Hill Road and Utah Ave. and proceeds in a general northerly then easterly direction through Davenport and Bettendorf then southerly to MidAmerican's Riverside facilities within the city limits of Bettendorf, Iowa. (See Exhibit B map)

The first portion of the pipeline route is within the city limits of Davenport. The pipeline begins at the point of interconnect with an existing MidAmerican pipeline at the intersection of Chapel Hill Road and Utah Ave. at the western city limits of Davenport. It runs in a northerly direction crossing Interstate Highway I-280 in Section 6, Township 77 North, Range 3 East and US Highway # 61 in Sections 6, 31 Township 77 & 78 North, Range 3 East to MidAmerican's Locust Street Town Border Station (TBS) a distance of approximately 4.05 miles. The route consists of mostly rolling pasture with some residential property. This section of pipeline is considered in a Class 2¹ location. Thence from MidAmerican's Locust Street TBS the pipeline

¹ Class locations are a population density index from 49 CFR Part 192 Section 5. Class 2 indicates there is some development near the route.

continues in a northeasterly then easterly then northerly direction to Duck Creek a distance of approximately 2.1 miles. Crossing Duck Creek in Section 15, Township 78 North, Range 3 East and I&M Rail Link Railroad in Section 21, Township 78 North, Range 3 East. Thence easterly along Duck Creek for a distance of approximately 2 miles. Thence northerly to Kimberly Road (old US Highway # 6) a distance of approximately .9 miles. Thence easterly along Kimberly Road to the Davenport-Bettendorf city limits a distance of approximately 1.5 mile. This section of pipeline crosses Iowa Highway # 130 in Section 14, Township 78 North, Range 3 East, US Highway # 61 in Section 13, Township 78 North, Range 3 East, and I&M Rail Link Railroad in Section 13, Township 78 North, Range 3 East.

The second portion of the pipeline is within the city limits of Bettendorf and Riverdale. The pipeline continues in an easterly direction through Bettendorf to the Bettendorf-Riverdale city limits a distance of approximately 3.5 miles. This portion of the pipeline crosses Interstate Highway I-74 in Section 17, Township 78 North, Range 4 East and Williams Pipeline in Section 22, Township 78 North, Range 4 East. Thence east-southeasterly to MidAmerican's Riverside TBS a distance of approximately 2 miles. This portion of the pipeline crosses US Highway # 67 in Section 23, Township 78 North, Range 4 East and I&M Rail Link Railroad in Section 23, Township 78 North, Range 4 East. The pipeline also crosses back into the city limits of Bettendorf at the Riverside TBS. This portion of the pipeline from the Locust Street TBS to the Riverside TBS is highly populated with most structures consisting of residential and multi-family housing and some light commercial property. This section of the pipeline is considered in a Class 3² location.

PETITION

In comparing the route inspection to the map filed as Exhibit B, staff noted no discrepancies. Staffs review of the petition and exhibits did reveal deficiencies in Exhibit C. By letter dated November 5, 2001, MidAmerican was notified of the deficiencies. MidAmerican responded by letter dated December 5, 2001, stating that they will refile Exhibit C with the correct information by January 15, 2002. Exhibit C should be revised as follows:

EXHIBIT C

Part 4:

Type of cathodic protection. Exhibit C says this system uses anodes but the system is actually protected by anodes and a rectifier³. Exhibit C needs to be corrected to show both anodes and a rectifier.

Part 5:

² A Class 3 location indicates significant development near the route.

³ A rectifier places a slight electrical charge on a pipeline which inhibits corrosion.

Valves. MidAmerican Energy's Petition for permit renewal Exhibit C states valve spacing is every 1.5 miles. During a physical inspection of this pipeline it did not appear to Board staff that valves were spaced every 1.5 miles along the pipeline.

MidAmerican needs to verify that the valve spacing is as stated in Exhibit C or correct Exhibit C to show the actual spacing of valves along the pipeline.

PIPELINE INSPECTION

The pipeline must meet the requirements of 199 IAC Chapter 10 and 49 CFR Part 192 "Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards". The federal standards have been adopted by the Board in 199 IAC 10.12(1).

An inspection of the pipeline to determine compliance with 49 CFR Part 192 and 199 and IAC Chapter 10 was conducted on September 4 & 5, 2001. *See* Compliance Report dated October 31, 2001. One probable violation of the safety standards was found during the inspection. 49 CFR Part 192.465, "External corrosion control: Monitoring" requires cathodic protection rectifiers be checked every other month at intervals not exceeding 2 1/2 months. The operator's records show they exceeded the 2 1/2 month maximum interval once between 10/11/00 and 1/17/01. MidAmerican was notified of the probable violation by letter dated November 5, 2001. MidAmerican responded to the probable violation by letter dated December 5, 2001. In the letter the operator stated that the rectifier check exceeded the 2-1/2 month maximum interval due to heavy snowfall last winter. The rectifier is located within a remote fenced area of a city park. MidAmerican is looking into relocating this rectifier. Staff concludes this is an isolated incident with apparent extenuating circumstances, and finds MidAmerican's response acceptable.

This pipeline has a Maximum Allowable Operating Pressure (MAOP) of 425 psig. On August 4, 1998 the pressure in the pipeline reached 473 psig for two hours. This exceeded the MAOP plus 10% allowable override of 468 psig⁴. MidAmerican's response stated this over pressure lasted sixteen minutes, and not two hours, because the SCADA⁵ system reported the 473 psig exception at 3:44 a.m. and the hourly report at 4:00 a.m. The cause of the rise in pressure was due to the opening of the automated valve at 60th Street and Eastern Avenue as a result of a lighting strike during a summer storm. The 60th Street and Eastern Avenue station has a motorized control valve and a monitor regulator. After this overpressure event, the set point of the monitor regulator was lowered to keep the pressure from rising over the MAOP + 10%. Since this change, there have been no incidents of pressure exceeding MAOP + 10%.

⁴ 49 CFR Part 192.201(a)(2)(i) requires the operator of a Natural Gas System to provide overpressure protection for pipelines to ensure they do not exceed the MAOP plus allowable build up.

⁵ SCADA is a communications system operators use to monitor operating conditions, such as pressure or gas flow, in their pipelines.

A review of the gas leak history was also conducted during this inspection. Since the Renewal Pipeline Permit dated July 20, 1976 only one gas leak has occurred on this pipeline. On September 4, 1981 an operator of a bulldozer hit the 10-inch 425 psig pipeline in a field north of Middle Road and east of 18th Street in Bettendorf. The bulldozer ripped open the top of the pipeline creating a hazardous gas leak. There was no deaths or injuries as a result of this incident. The pipeline was repaired using a 3 foot section of pretested pipe in accordance with the operator's O&M Plan that was in place at the time.

Inspection found no evidence of operational problems with this pipeline which would prevent it from continuing in operation as at present.

CONCLUSION

The pipeline appears in good condition and capable of continuing in operation as before. No special conditions or restrictions pertaining to safety or operation are suggested for the renewal permit.

The filing is essentially in order. However, during the review of Exhibit C deficiencies were found under Parts 4 & 5. *See* comments under Exhibit C. MidAmerican was notified of the deficiencies. MidAmerican responded in a letter dated December 5, 2001 that they will refile Exhibit C of the petition for renewal with the correct information by January 15, 2002. With these corrections the petition appears ready to set for hearing.